

Teacher Lesson Plan

Module 6: Exemptions

Time Frame

One to two class periods

Curriculum Area(s)

- Technology
- Civics/Government
- Family and Consumer Sciences
- History/Social Studies
- Economics

Purpose

To help students understand personal and dependency exemptions and how exemptions affect income that is subject to tax

Objectives

Students will be able to

- explain how exemptions affect income that is subject to tax.
- determine the number of exemptions to claim on a tax return.

Materials

Online

[Student Lesson—Exemptions](#)

[Tax Tutorial—Exemptions](#)

[Simulation 6—Identifying Filing Status, Dependents, and Exemptions](#)

[Assessment—Exemptions](#)

[Assessment Solutions—Exemptions](#)

Print (PDF)

[Fact Sheet—Exemptions](#)

[Teacher Lesson Plan—Exemptions](#)

Tax Forms

[Form 1040, U.S. Individual Income Tax Return](#)

Background

Each **exemption** reduces the income that is subject to tax by the **exemption amount**. For 2001, the exemption amount was \$2,900. There are two types of exemptions: **personal exemptions** and **dependency exemptions**. Personal exemptions are for the taxpayer and spouse. Dependency exemptions are for those who pass the five **dependency tests** covered in Module 4. Remind students that just one exemption can be claimed per person. An exemption for a particular person cannot be claimed on more than one tax return.

Key Terms

dependency exemption—Can be claimed for those who pass the five dependency tests. Each dependency exemption reduces the income subject to tax by the exemption amount. The exemption amount changes yearly. For 2001, the exemption amount was \$2,900.

exemption—Amount that taxpayers can claim for themselves, their spouses, and eligible dependents. There are two types of exemptions—personal and dependency. Each exemption reduces the income subject to tax. The exemption amount is a set amount that changes from year to year.

exemption amount—The amount by which the income subject to tax is reduced for the taxpayer, spouse, and each dependent. For 2001, the exemption amount was \$2,900.

personal exemption—Can be claimed for the taxpayer and spouse. Each personal exemption reduces the income subject to tax by the exemption amount. For 2001, the exemption amount was \$2,900.

Opening the Lesson

Hand out Fact Sheet—Exemptions. Use the following questions to prompt students to share what they know about exemptions:

- What does it mean to claim a dependency exemption?

For each dependent claimed, the taxpayer can reduce the income that is subject to tax.

- How many exemptions can a taxpayer claim if the taxpayer is married and has two small children?

The taxpayer can claim four exemptions—two personal exemptions for the taxpayer and spouse and two dependency exemptions for the children.

Note: For students who may want to work independently on this module, refer them to Student Lesson—Exemptions.

Developing the Lesson

Direct students to Tax Tutorial—Exemptions, and explain that this tax tutorial focuses on personal and dependency exemptions. Tell students that they will learn how exemptions affect the income that is subject to tax. Emphasize that just one exemption can be claimed per person. An exemption for a particular person cannot be claimed on more than one tax return.

Online Activity

Direct students to Simulation 6—Identifying Filing Status, Dependents, and Exemptions.

Explain to students that they will answer a series of questions to determine the filing status and exemptions for Alicia Garcia. Students will see how the information they provide is used to complete the label, filing status, and exemption sections of the income tax return for Alicia Garcia.

Concluding the Lesson

After students have completed Tax Tutorial—Exemptions and Simulation 6—Identifying Filing Status, Dependents, and Exemptions, ask them whether they have questions about exemptions.

To ensure that they understand the material, ask the following questions:

- What are the two types of exemptions?

Personal exemptions for taxpayer and spouse and dependency exemptions for dependents

- How many exemptions can a high school student claim on her own tax return if her parents can claim her as a dependent on their tax return?

None; a taxpayer cannot claim an exemption for herself if she can be claimed as a dependent on another taxpayer's return.

Assessment

As a final review, summarize the major lesson points. Remind students that exemptions reduce the income that is subject to tax and that an exemption for a particular person cannot be claimed on more than one tax return. When students are comfortable with the material, have them complete Assessment—Exemptions.